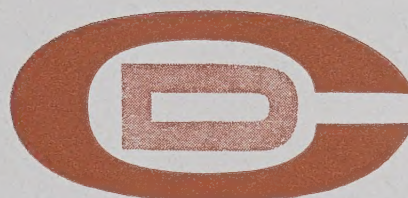


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COCHRANE-DUNLOP
HARDWARE LIMITED



ANNUAL
REPORT
1970

COCHRANE-DUNLOP HARDWARE LIMITED

EXECUTIVE OFFICES

160 Bloor Street East, Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company—Toronto

DIRECTORS

F. Cochrane Toronto, Ontario

W. C. Cochrane Toronto, Ontario

N. M. Perris Ocean City, New Jersey,
U.S.A.

A. E. Barron Toronto, Ontario

E. A. Bird Toronto, Ontario

R. L. Hearn Queenston, Ontario

D. Higgins Toronto, Ontario

OFFICERS

W. C. Cochrane Chairman of the Board

F. Cochrane President

D. Higgins Vice-President
and General Manager

E. A. Bird Vice-President

R. L. T. Baillie Secretary-Treasurer

WHOLLY-OWNED SUBSIDIARY COMPANIES

C-D Hardware Sales Limited

Cochrane-Dunlop Hardware—
Quebec, Inc.

Cochrane-Dunlop Hardware
Manitoba Limited

Cochrane-Dunlop Hardware
Saskatchewan Limited

Dominion Hardware Stores Limited

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Board of Directors is pleased to submit the annual report of Cochrane-Dunlop Hardware Limited and its subsidiaries, together with the financial statements for the year ended December 31st, 1970, and the report of the Auditors thereon.

Sales increased by \$5,765,311 or 16.12% over the previous year. Sales and operating efficiency in 1970 were unfavourably affected by strikes, both of which have been concluded, at our Toronto and our Thunder Bay branches. Operations continued during the strikes which lasted for four months in Toronto and three weeks in Thunder Bay. Sales in other major branches increased satisfactorily to produce the overall increase for the year. Sales of our two new branches in Saskatchewan continued to develop, contributing to the overall improvement in operating results. In assessing the increase over 1969 it should be noted that in 1969 strikes in both suppliers' and major customers' plants were a factor in restricting total sales in that year.

Net income for 1970 was \$488,754 or \$3.32 per share, an increase of 13.9% over \$429,092, or \$2.90 per share for 1969. Included in income for 1969,

however, was an extraordinary income item of \$68,904 representing a gain on sale of marketable securities. Thus, in 1970, net income before extraordinary item increased 35.7% or \$.90 per share over 1969.

While sales of company-owned retail stores increased only marginally over those in 1969, profit from this division was improved, largely through careful product selection; although this profit has not yet reached a satisfactory position.

Capital expenditures in 1970 consist of the cost of completion of the extension to our wholesale warehouse premises in Thompson, Manitoba which was started in 1969, together with miscellaneous routine equipment replacements.

On the basis of plans developed for 1971 and in the light of current conditions we are hopeful that results for 1971 will show continuing improvement in both sales and income over 1970.

Toronto, Ontario
April 2, 1971.

On behalf of the Board,
F. COCHRANE
President

STATISTICAL SUMMARY

| FOR THE YEAR | 1970 | 1969 | 1968 | 1967 | 1966 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales | \$41,516,281 | \$35,750,970 | \$35,661,895 | \$33,112,129 | \$29,378,641 |
| Depreciation | 201,782 | 214,641 | 218,415 | 182,268 | 175,231 |
| Income taxes | 550,000 | 385,000 | 570,000 | 487,000 | 336,000 |
| Net income | 488,754 | 360,188 * | 518,531 | 456,543 | 333,462 |
| % to sales | 1.2% | 1.0% * | 1.4% | 1.4% | 1.1% |
| per common share | 3.32 | 2.42 * | 3.53 | 3.10 | 2.24 |
| Dividends—total | 128,088 | 128,088 | 128,088 | 128,088 | 128,088 |
| per share—Class A | .80 | .80 | .80 | .80 | .80 |
| —Common | .80 | .80 | .80 | .80 | .80 |
| Increase in working capital | 472,971 | 364,504 | 116,603 | 153,919 | 257,902 |
| AT YEAR END | | | | | |
| Working capital | 6,984,613 | 6,511,642 | 6,147,138 | 6,030,535 | 5,876,616 |
| Shareholders' equity | 9,318,750 | 8,958,084 | 8,657,080 | 8,266,637 | 7,404,482 |
| Shares outstanding | | | | | |
| —Class A | 17,092 | 17,092 | 17,092 | 17,092 | 17,092 |
| —Common | 143,018 | 143,018 | 143,018 | 143,018 | 143,018 |

*Before Extraordinary Item.

COCHRANE-DUNLOP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1970

| ASSETS | 1970 | 1969 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash | \$ 47,255 | \$ 46,038 |
| Accounts receivable | 5,753,945 | 5,073,946 |
| Merchandise inventory at lower of cost and net realizable value | 6,361,310 | 6,425,568 |
| Prepaid expenses and other assets | 85,595 | 120,888 |
| | <u>12,248,105</u> | <u>11,666,440</u> |
| Fixed Assets, at cost: | | |
| Building and equipment | 3,945,256 | 3,873,434 |
| Furniture and fixtures | 1,128,941 | 1,109,108 |
| Automotive equipment | 148,595 | 148,595 |
| | <u>5,222,792</u> | <u>5,131,137</u> |
| Accumulated depreciation | 3,173,104 | 2,971,322 |
| | <u>2,049,688</u> | <u>2,159,815</u> |
| Land | 284,449 | 286,627 |
| | <u>2,334,137</u> | <u>2,446,442</u> |
| | <u>\$14,582,242</u> | <u>\$14,112,882</u> |

On behalf of the Board: W. C. COCHRANE, *Director*

A. E. BARRON, *Director*

AUDITOR

TO THE SHAREHOLDERS OF
COCHRANE-DUNLOP HARDWARE LIMITED:

We have examined the consolidated balance sheet of Cochrane-Dunlop Hardware Limited and subsidiaries for the year then ended, and the consolidated statement of earnings and consolidated source and application of funds for the year then ended. Our examination included a review of the accounting records and supporting documents, and we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company at the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with the accounting policies of the company.

Toronto, Canada.
April 2, 1971.

HARDWARE LIMITED

Y COMPANIES

LIABILITIES

1970

1969

Current Liabilities:

| | | |
|--|------------------|------------------|
| Bank indebtedness | \$ 1,065,716 | \$ 1,580,068 |
| Accounts payable and accrued charges | 3,454,590 | 3,046,446 |
| Income and other taxes payable | 625,353 | 410,451 |
| Dividends payable. | 117,833 | 117,833 |
| | <u>5,263,492</u> | <u>5,154,798</u> |

Shareholders' equity:

Capital stock (note 1)

Authorized:

1,709,564 non-cumulative preference shares of par value 20¢ each
redeemable at par

17,092 class "A" shares of no par value

143,018 common shares of no par value

Issued and fully paid:

| | | |
|-------------------------------------|---------|---------|
| 17,092 class "A" shares } | 533,700 | 533,700 |
| 143,018 common shares } | | |

| | | |
|--------------------------------------|---------------------|---------------------|
| Retained earnings (note 2) | 8,785,050 | 8,424,384 |
| | <u>9,318,750</u> | <u>8,958,084</u> |
| | <u>\$14,582,242</u> | <u>\$14,112,882</u> |

NOTES:

1. During the year, 572,072 non-cumulative preference shares were issued as a stock dividend and subsequently redeemed.
2. At December 31, 1970 the company had tax-paid undistributed income on hand of \$189,168 which was reduced to \$74,754 by payment of a stock dividend on February 5, 1971.

REPORT

ary companies as at December 31, 1970, and the statements of consolidated income, consolidated retained
ral review of the accounting procedures and such tests of accounting records and other supporting evidence as

as at December 31, 1970, and the results of their operations and the source and application of their funds for
n that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

COCHRANE - DUNLOP HARDWARE LIMITED

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

| for the year ended December 31, 1970 | 1970 | 1969 |
|---|-------------------|-------------------|
| Sales | \$41,516,281 | \$35,750,970 |
| Costs and expenses, exclusive of the following items | 40,156,393 | 34,649,669 |
| Depreciation | 201,782 | 214,641 |
| Interest on bank indebtedness | 119,352 | 141,472 |
| | <u>40,477,527</u> | <u>35,005,782</u> |
| Net income before income taxes and extraordinary item | 1,038,754 | 745,188 |
| Income taxes | 550,000 | 385,000 |
| Net income before extraordinary item | 488,754 | 360,188 |
| Extraordinary item—gain on sale of securities | — | 68,904 |
| Net income for the year | <u>\$ 488,754</u> | <u>\$ 429,092</u> |
| Net income per common share | | |
| —before extraordinary item | <u>\$3.32</u> | <u>\$2.42</u> |
| —for the year | <u>\$3.32</u> | <u>\$2.90</u> |

NOTE: Remuneration of directors and senior officers amounted to \$225,628 in 1970.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

| for the year ended December 31, 1970 | 1970 | 1969 |
|--------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 8,424,384 | \$ 8,123,380 |
| Net income for the year | 488,754 | 429,092 |
| | <u>8,913,138</u> | <u>8,552,472</u> |
| Deduct dividends: | | |
| Common shares | 114,414 | 114,414 |
| Class "A" shares | 13,674 | 13,674 |
| | <u>128,088</u> | <u>128,088</u> |
| Balance, end of year | <u>\$ 8,785,050</u> | <u>\$ 8,424,384</u> |

COCHRANE - DUNLOP HARDWARE LIMITED

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1970

| | 1970 | 1969 |
|---|--------------------|--------------------|
| Source of Funds: | | |
| Net income for the year | \$ 488,754 | \$ 429,092 |
| Add depreciation, not requiring a current outlay of funds | 201,782 | 214,641 |
| | <u>690,536</u> | <u>643,733</u> |
| Application of Funds: | | |
| Expenditures on fixed assets | 89,477 | 151,141 |
| Dividends | 128,088 | 128,088 |
| | <u>217,565</u> | <u>279,229</u> |
| Increase in working capital | 472,971 | 364,504 |
| Working capital at beginning of year | 6,511,642 | 6,147,138 |
| Working capital at end of year | <u>\$6,984,613</u> | <u>\$6,511,642</u> |

WHOLESALE BRANCHES

ONTARIO— Dryden
Elliot Lake
Little Current
North Bay
Sault Ste. Marie
Sudbury
Thunder Bay
Toronto
Wawa

QUEBEC— Val d'Or


MANITOBA— Thompson

SASKATCHEWAN— Esterhazy
Saskatoon

RETAIL BRANCHES

ONTARIO— Copper Cliff
Guelph
Hamilton
Lively
North Bay
Oakville
Peterborough
Sault Ste. Marie
Sudbury (2)

MANITOBA— Thompson



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COCHRANE-DUNLOP HARDWARE LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES

STATEMENT OF CONSOLIDATED SOURCE
AND APPLICATION OF FUNDS

| | six months ended June 30 | |
|-----------------------------------|--------------------------|--------------------|
| | 1970 | 1969 |
| Source of funds: | | |
| Net income for the period..... | \$ 217,176 | \$ 114,793 |
| Depreciation..... | 107,320 | 109,205 |
| Profit on sale of securities..... | — | 68,904 |
| | <u>324,496</u> | <u>292,902</u> |
| Application of funds: | | |
| Expenditures on fixed assets..... | 50,976 | 41,738 |
| Dividends..... | 6,836 | 6,836 |
| | <u>57,812</u> | <u>48,574</u> |
| Increase in working capital..... | \$ 266,684 | \$ 244,328 |
| Working capital at June 30th..... | <u>\$6,778,326</u> | <u>\$6,391,466</u> |

Note: Subject to audit and year end adjustments.



Interim Report for the six months
ended June 30, 1970

EXECUTIVE OFFICES
160 BLOOR STREET EAST
TORONTO, ONTARIO
PHONE 416/921-3103

COCHRANE-DUNLOP HARDWARE LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

REPORT FOR THE SIX MONTHS ENDED JUNE 30, 1970

TO THE SHAREHOLDERS:

The Directors of your company are pleased to submit herewith the unaudited statements of consolidated income and consolidated source and application of funds for the six months ended June 30, 1970.

Net income of Cochrane-Dunlop Hardware Limited for the first half of 1970 was \$217,176 or \$1.47 per share, compared with \$114,793 or 75¢ per share in 1969. These results for 1969 do not include an income item of \$68,904 representing gain on the sale of marketable securities.

Sales for the six months increased by \$1,378,342 or 7.65% over the comparable period of 1969. Significant sales increases were achieved by several of our northern branches and our new branches in Saskatoon and Esterhazy continue the progress pattern established since their opening.

The strike of warehouse and transport personnel at our Toronto wholesale branch, which was reported previously, is still in process. While we are continuing in operation, the strike has affected somewhat our ability to provide the degree of service we would normally expect to achieve.

The improvement in net income arises both from the increase in sales volume already referred to and from an active and continuing program of cost and expense control.

Capital expenditures in the period consist largely of the cost of completion of a warehouse extension in Thompson, Manitoba which was started in 1969.

As to the future, if strikes do not affect the operations of several significant customers and suppliers in major branch areas, as was the case in 1969, and if overall business activity continues at current levels, we can hope to show continuing improvement in operating results for the remainder of the year.

Toronto, Ontario
August 14, 1970

F. COCHRANE
President

COCHRANE-DUNLOP HARDWARE LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

| | six months ended June 30 | |
|--|--------------------------|--------------|
| | 1970 | 1969 |
| Sales..... | \$19,386,111 | \$18,007,769 |
| Cost of goods sold including selling, general and administrative expenses..... | 18,826,615 | 17,660,289 |
| Operating income..... | 559,496 | 347,480 |
| Income from investments..... | — | 1,718 |
| | 559,496 | 349,198 |
| Depreciation..... | 107,320 | 109,205 |
| Net income before income taxes.... | 452,176 | 239,993 |
| Income taxes..... | 235,000 | 125,200 |
| Net income for the period (Note 2) .. \$ | 217,176 | \$ 114,793 |

NOTES

1. Subject to audit and year end adjustments.
2. Extraordinary income of \$68,904 representing profit on the sale of marketable securities in the six months ended June 30, 1969, is not included in net income shown above.